

CITY OF
HAYWARD
HEART OF THE BAY

RECOMMENDED FY 2016 AND FY 2017 WATER AND SEWER RATES

July 21, 2015

Alex Ameri
Director of Utilities & Environmental Services

Introduction

- Council held a worksession on June 2
- Proposed rate information distributed to property owners and bill payers on June 5
- This public hearing to consider:
 - Water and sewer rates and charges
 - Residential water connection fees

Water Rates

- Pay for water purchase from San Francisco and City distribution
- Water purchases account for approximately 2/3 of all expenses
- Customer Water bill comprises of:
 - Service fee – fixed fee based on meter size
 - Water usage charge – variable charged based on consumption

Water (Meter) Service Fees

- Pay for costs that do not vary with water purchases:
 - Meter reading
 - Billing
 - Customer service
 - Debt service
- Based on meter size
- Lower fixed fee gives more control to customers –
Ours is *significantly* lower in comparison to nearby agencies
- Higher fixed fee reduces revenue volatility
- A \$2 bimonthly increase (\$1 per month) proposed in each year
- Low income discount provided for qualified single-family residential customers

Proposed Water Service Fees

Meter Size	Current	Proposed FY 2016	Proposed FY 2017
Low Income Residential	\$2.00	\$3.50	\$5.60
5/8 inch (most common)	\$12.00	\$14.00	\$16.00
3/4 inch	\$16.30	\$19.05	\$21.75
1 inch	\$24.70	\$28.90	\$32.95
1 1/2 inch	\$54.10	\$63.30	\$72.15
2 inch	\$95.20	\$111.40	\$127.00
3 inch	\$240.30	\$281.15	\$320.50
4 inch	\$476.00	\$556.90	\$634.90
6 inch	\$839.70	\$982.45	\$1,120.00
8 inch	\$1,162.40	\$1,360.00	\$1,550.50

Water Rates - Major Factors

Wholesale Water Costs

- **Increased wholesale purchase cost: 28% in FY 2016**
- SFPUC debt refinancing surcharge: \$2.3M annually
- Overall cost about 2/3 of total Water Fund budget

Water Consumption Trends

- 8% required reduction (June '15 to Feb '16) vs. 2013
- Current consumption trend is well below recent years
- Places additional pressure on *rates*

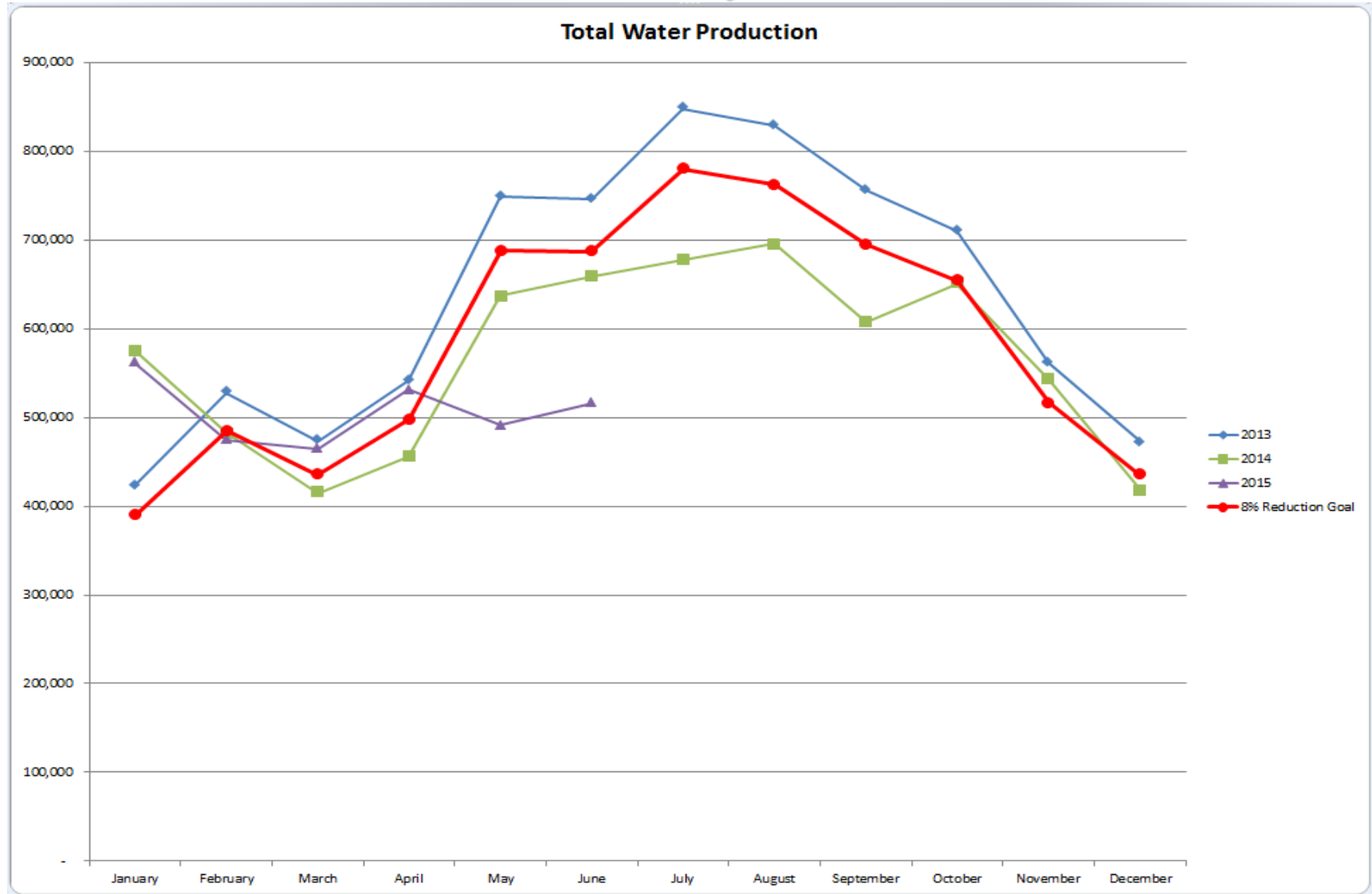
Investment in Water Conservation & Supply

- Conservation rebates and programs
- Advanced Metering Infrastructure
- Water supply development, e.g., recycled water

Operation, Maintenance and Replacement

- Efficiencies implemented
- Modest operations and maintenance cost increases

Reduced Water Consumption



Proposed Water Rates

- Proposed rates and service fees will result in average overall increases of about 15% in FY 2016 and 9% in FY 2017
- With lower consumption trend, the actual increase in cost of water would be much less
- New method proposed for calculating water bills for 2-4 unit residential customers, resulting in lower increases for some
- Non-residential increases of 12% and 9%

Impact of Reduced Usage on Water Bills

- While the unit cost of water is higher, average water use decreased from 18 ccf (225 gpd) to 16 ccf (200 gpd) in recent years
 - Current cost for 18 ccf = \$107.00
 - Proposed water bill for 16 ccf = \$110.00
 - Proposed water for for 17 ccf = \$116.58
 - Effective increase is between 3% and 9%

How Do Hayward's Proposed Rates Compare to Other Agencies

- Factors to consider in comparing rates
 - Degree of reliance on expensive SFPUC water supply (100% for Hayward)
 - Water quality
 - System size (economies of scale)
 - How well the system performs
 - Operational flexibility in normal and emergency situations (investment in emergency wells, interties, storage, etc.)
 - Whether, and how much, community benefits are provided by the given utility

Water Bill Comparisons – Residential

16 ccf through 5/8" meter (200 gallons per day)

Agency and Service Area	Bi-Monthly Service Fee	Bimonthly Billing
City of Burlingame	\$83.60	\$186.76
City of Palo Alto	\$31.08	\$146.08
City of Redwood City	\$56.98	\$123.90
City of Hayward (Proposed)	\$14.00	\$110.00
East Bay MUD (No SFPUC Water) (Oakland, Castro Valley, Unincorporated Alameda County)	\$38.68	\$95.87
City of Hayward (Current)	\$12.00	\$95.60
ACWD (only less than 30% SFPUC water) (Fremont, Union City, Newark)	\$41.54	\$95.51
Contra Costa WD (No SFPUC water) (Concord, Walnut Creek)	\$34.24	\$91.40
DSRSD (No SFPUC water) (Dublin , San Ramon)	\$33.54	\$88.86

Water Costs for Everyday Activities



Taking an 8-minute shower: 15¢



Watering the yard for 15 minutes: 28¢



Doing one load of laundry in a modern clothes washer: 20¢



Flushing a high efficiency toilet: 1¢

Sewer Service Rates

- Pay for collection, treatment and discharge of wastewater
- Rates calculated in accordance with State Sewer Revenue Program guidelines – based on cost of service

Proposed Sewer Service Rates

- Major Factors in Proposed Rates:
 - Modest increases in costs of providing wastewater collection, treatment and disposal services
 - Reduction in some industrial discharges
- Recommendation:
 - FY 2016 - 3% residential increases
 - FY 2017 - 3% residential increases
 - 0% - 6% non-residential increases (depending on discharge volume and waste strength)

Residential Sewer Rate Comparison

Agency and Service Area	Bimonthly Billing
City of Oakland Collection (Oakland) - \$22.24 Treatment (EBMUD) - \$23.00	\$45.24
City of San Leandro	\$32.27
Dublin San Ramon Services District	\$31.86
Union Sanitary District	\$29.75
City of Hayward (Proposed)	\$28.93
Castro Valley Sanitary District	\$28.33
City of Hayward (Current)	\$28.09
Oro Loma Sanitary District	\$17.16

Overall Impact of Proposed Rates

Single-Family Residential Customer – 200 gpd Water Use
and Standard Sewer Service

	Current	Proposed FY 2016	Proposed FY 2017
Sewer service	\$28.09	\$28.93	\$29.80
Water usage*	\$83.60	\$96.00	\$103.52
Water service	\$12.00	\$14.00	\$16.00
Total	\$123.69	\$138.93	\$149.32
Bimonthly Increases		\$15.24	\$10.39
Percent Change		12%	7%

*Not factoring in savings related to water use reduction.

Water and Sewer Connection Fees

- Pay for infrastructure needed to serve new development
- No fee increases recommended
- Proposed change in method for calculating residential water connection fees (No more use of averaging)

Residential Water Connection Fees

Current Fee Assessment:

- Uniform fee of \$8,106 for up to 1-inch meter regardless of meter size and domestic water demand
- Implemented due to new fire code regulations requiring sprinklers in new residential construction
- Based on weighted average fee for three most common residential meter sizes at time of adoption

Proposed Fee Assessment

- Assess fee according to actual meter size *needed for domestic water demand* – more equitable distribution of costs
- No averaging
- Phase in fee for 1" meter over two years

Proposed Changes in Residential Water Connection Fees

	Current	Proposed FY 2016	Proposed FY 2017
5/8 inch	\$8,106	\$6,484	\$6,484
3/4 inch	\$8,106	\$9,730	\$9,730
1 inch	\$8,106	\$12,158	\$16,210

Comparison with Other Water Agencies

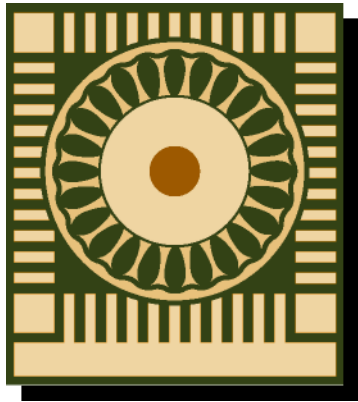
Agency	3/4 inch	1 inch
City of Dublin Dublin San Ramon Services District Zone 7 Water	\$55,613	\$92,687
Contra Costa Water District	\$28,450	\$47,416
EBMUD	\$27,830	\$46,480
City of Hayward Proposed	\$9,730	\$12,158
City of Hayward Current	\$8,106	\$8,106
Alameda County Water District	\$6,805	\$6,805

Public Outreach and Response

- Public hearing notices sent to all property owners (Proposition 218 requirement) and bill payers of record (Not a Prop 218 requirement)
- Proposed rates published twice in *Daily Review*
- Staff made a presentation on July 8 to Government Relations Council of Hayward Chamber of Commerce
- Twenty (20) written protest notices received
 - 13 cited economic conditions
 - 1 noted impact on business
 - Others provided no specific reason
 - Also, approximately 30 phone calls received
- Council can't adopt rates if protests are received from majority property owners (About 18,000 protests)

Schedule

- Public hearing and adoption of rates: July 21
- Bill insert notification: August and September
- Effective dates: October 1, 2015 and October 1, 2016
- This is fully three months after SFPUC's 28% rate increase went into effect



Recommended FY 2016 and FY 2017 Water and Sewer Rates

Questions/Comments/Discussion